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*File  
Roth/Stevens  
Supplemental  
Retirement Plan  
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TO : Senate Committee on Governmental Affairs  
Senate Subcommittee on Civil Service, Post Office and  
General Services

FROM : Dennis Snook, Leader  
Civil Service Retirement Team

SUBJECT : **CRS Analysis of the Stevens-Roth Plan for a Retirement  
System for Federal Workers Covered by Social Security**

As you requested, the following report presents costs and benefit projections for a Civil Service Retirement plan for Federal employees who became covered by social security as a result of the Social Security Amendments of 1983. The plan was developed under the guidance of Senators Ted Stevens and William Roth, Chairmen of the Subcommittee on Civil Service, Post Office, and General Services, and of the full Committee on Governmental Affairs, respectively. Details of the plan were devised by the committee staffs.

The report does not address arguable pros and cons of this plan, its effect upon the Federal workforce, or the sensitivity of the capital accumulation component to investment vehicles with rates of return different from those assumed for the basic cost projections. The analysis is confined to "new" Federal workers, those who started work after December 31, 1983. It assumes that other Federal workers will remain in the old CSRS. All projections are accomplished using an "entry age normal cost" actuarial approach for new workers.

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This report was prepared by the Congressional Research Service (CRS) Civil Service Retirement Team, a group of analysts with expertise on issues pertaining to the design of a new system for those Federal employees covered by social security.

Data for this report were generated from the CRS retirement pension cost and replacement rate models. Certain details of the design, after consultations with the staff of the Committee on Governmental Affairs, were elaborated by CRS to accommodate the CRS analytic models. The methodology and format for presentation used for the analysis were developed for the study, "Designing a Retirement System for Federal Workers Covered by Social Security," published as Committee Print 98-17 by the House Post Office and Civil Service Committee. Analysts responsible for sections of this paper are the following:

Michael Burke, data presentation

Tom Gabe, methods and data development

Rich Hobbie, capital accumulation plan

Geoffrey Kollmann, disability benefits

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Mary Pilote, graphics

Ray Schmitt, capital accumulation plan

Dennis Snook, retirement benefits

Mary Anderson, Lea Barber and Arleen Scuka typed this report and Ms. Barber coordinated its production.

Edwin Hustead and Michael Sullivan of Hay-Huggins, Inc., provided actuarial and other technical assistance.

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The report is divided into five sections, as listed below:

- o Section I is a general description of the plan.
- o Section II compares the Stevens-Roth provisions to those of the current Civil Service Retirement System (CSRS).
- o Section III contains data from the cost projection model for the long term. No short term costs are shown.
- o Section IV displays graphically the benefit distributions for affected workers. Tables of the percentage of preretirement salaries replaced by benefits for selected workers retiring in 2030 are also included.
- o Section V is a brief description of the analytic framework, assumptions and actuarial models used to produce the response.